

Message Text

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UNCLAS SECTION 01 OF 02 MADRID 02146

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SUBJECT: PRELIMINARY CCP FOR FY 1979

1. SECTION I. THE SPANISH ECONOMY CONTINUES TO BE
CONSTRICTED BY DELIBERATE GOS FISCAL AND MONETARY POLICIES
BUT TRENDS ARE GENERALLY FAVORABLE. REAL GROWTH IN GNP IN
1977 WAS ONLY 1.8 PERCENT. INFLATION FOR THE YEAR WAS
26 PERCENT, BUT THE RATE OF PRICE INCREASES IN THE SECOND
HALF OF 1977 SHOWED AN ENCOURAGING DOWNWARD TREND.
THE DEVALUATION OF THE SPANISH PESETA IN JULY 1977 ENABLED
THE FOREIGN ACCOUNT TO IMPROVE GREATLY DURING THE YEAR.
TOURISM SHOWED RESURGENCE IN THE SECOND HALF OF 1977 AS
TRAVELERS TOOK ADVANTAGE OF THE NEW EXCHANGE RATE.

BECAUSE OF FLAT DOMESTIC DEMAND AND THE HIGHER PRICES
IMPOSED BY THE DEVALUATION, IMPORTS ROSE BY ONLY 2.5
PERCENT DURING 1977 IN CURRENT DOLLAR TERMS. AN INCREASE
OF LESS THAN 5 PERCENT IS EXPECTED IN 1978.

COMMERCIAL OBJECTIVES OF THE US VIS A VIS SPAIN CONTINUE
AS BEFORE: (1) TO MAINTAIN OUR POSITION AS SPAIN'S MOST
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IMPORTANT TRADING PARTNER, (2) TO ELIMINATE TRADE AND
INVESTMENT BARRIERS SO AS TO ALLOW GREATER FREEDOM OF
FLOWS OF BOTH GOODS AND FUNDS IN BOTH DIRECTIONS, (3) TO
PROMOTE BUSINESS AND TOURIST TRAVEL TO THE UNITED STATES.
THE SPANIS ECONOMY IS A HIGHLY DEVELOPED ONE: ITS INDUSTRY
IN MANY AREAS IS AS MODERN AS ANYWHERE IN THE WORLD.
ALMOST ANY OF THE U.S. TARGET INDUSTRIES COULD BE PROMOTED

IN SPAIN, FROM AGRICULTURAL EQUIPMENT TO ADVANCED ELECTRONICS. THE CAMPAIGNS AND OTHER ACTIVITIES LISTED BELOW REPRESENT A COMBINATION OF PROVED MARKETS, WHERE LARGE CONTINUING DEMAND MAY BE ANTICIPATED, AND OTHERS WHERE WE EXPECT TO SEE COMPARATIVELY RAPID GROWTH FROM MODEST BASE FIGURES.

2. SECTION III. CAMPAIGNS, BY PRIORITY RANK.

A. HEALTH CARE EQUIPMENT. CONTINUES TO BE A RAPIDLY GROWING MARKET WITH DEMAND BASED ON INTERNAL PRIORITIES RELATIVELY UNAFFECTED BY BUSINESS CYCLES. IMPORTS OF HEALTH AND MEDICAL EQUIPMENT HAVE GROWN TO A CURRENT LEVEL OF OVER \$100 MILLION, COMPARED TO VERY LOW LEVELS A FEW YEARS AGO. EMBASSY RECOMMENDS FULL PARTICIPATION IN ONE OF THE MAJOR SPANISH TRADE FAIRS: HOSPITALEX, BARCELONA, APRIL/MAY 1979 OR INSTRUMENTALIA/EXPOMEDICA, MADRID, OCTOBER 1979.

B. ELECTRICAL POWER EQUIPMENT. INCREASING POWER NEEDS OF SPANISH ECONOMY MAKE THIS SECTOR A PRIME MARKET FOR U.S. FIRMS, WHICH TRADITIONALLY SUPPLY ABOUT ONE THIRD OF SPAIN'S IMPORTS IN THE ELECTRICAL POWER EQUIPMENT FIELD. THIS MARKET SHOULD BE APPROACHING THE HALF-BILLION DOLLAR LEVEL BY 1979. POST CAMPAIGN WILL INCLUDE SUPPORT OF THE TRANSMISSION AND DISTRIBUTION EXPO, ATLANTA, NOVEMBER 1979.

C. TELECOMMUNICATION EQUIPMENT AND SYSTEMS. OPPORTUNITIES UNCLASSIFIED

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FOR U.S. SUPPLIERS AND JOINT VENTURERS EXIST ACROSS A WIDE SPECTRUM IN THE COMMUNICATIONS FIELD FROM SIMPLE TELEPHONIC DEVICES TO SATELLITE TRACKING COMPONENTS AND DATA TRANSMISSION EQUIPMENT. PROMOTION IN THIS FIELD WILL HAVE TO BE TAILOR-MADE, TAKING INTO ACCOUNT THAT THERE ARE ONLY TWO MAJOR CUSTOMERS IN THIS FIELD: THE NATIONAL TELEPHONE COMPANY (CTNE) AND THE GOVERNMENT.

D. MINING EQUIPMENT. BECAUSE OF GOVERNMENT'S COMMITMENT TO SIGNIFICANTLY INCREASE OUTPUT IN SOME MINERALS AND TO IMPROVE THE EFFICIENCY ACROSS THE BOARD, THE MARKET FOR MINING EQUIPMENT SHOULD BE RIPE FOR EXPANSION IN 1979. THIS CAMPAIGN WILL BE SUPPORTED BY A TRADE MISSION IN OCTOBER OR NOVEMBER 1978. IN ADDITION THE EMBASSY WILL PROMOTE TRAVEL TO THE LAS VEGAS MINING SHOW IN OCTOBER 1978 (FBP).

E. LABORATORY INSTRUMENTS. A FIFTY MILLION DOLLAR IMPORT MARKET IN 1977, THE DEMAND FOR LABORATORY INSTRUMENTS SHOULD INCREASE MARKEDLY BY 1979 AS SPAIN UPGRADES RESEARCH AND LABORATORY FACILITIES IN HOSPITALS AND SCHOOLS AND AS INDUSTRY GEARS UP TO COMPETE IN THE EUROPEAN COMMUNITY. AN IDEAL PROMOTIONAL VEHICLE FOR THIS CATEGORY WOULD BE THE MADRID EXHIBITION "INSTRUMENTA-

LIA/EXPOMEDICA", OCTOBER 1979.

F. FOOD PROCESSING AND PACKAGING. SPAIN HAS IDEAL GROWING CONDITIONS FOR MANY CROPS, ESPECIALLY FRUITS AND VEGETABLES. YET ITS EXPORTS OF THESE AND OTHER FOOD PRODUCTS WHICH IT PRODUCES IN EXCESS OF DOMESTIC DEMAND, ARE WELL SHORT OF THEIR POTENTIAL. THIS SECTOR IS EXPECTED TO BE ONE OF THE LEADING EXPORT-ORIENTED GROWTH INDUSTRIES IN COMING YEARS AS SPAIN MOVES TOWARD FULL MEMBERSHIP IN THE COMMON MARKET. MOST FOOD PROCESSING AND PACKAGING MACHINERY WILL HAVE TO BE IMPORTED AS DOMESTIC PRODUCTION IS AT A LOW LEVEL. THE EMBASSY, ALONG WITH THE CONSULATE GENERAL IN BARCELONA, EXPECT TO SUPPORT THIS CAMPAIGN VIA PROMOTION OF TWO U.S. FOREIGN BUYERS' PROGRAMS: THE PACKAGING SHOW,

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CHICAGO, NOVEMBER 1978 AND THE FOOD AND DAIRY SHOW, ANAHEIM, APRIL-JUNE 1979.
G. COMPUTERS AND PERIPHERAL EQUIPMENT. A SUCCESSFUL TRADE MISSION TO MADRID AND BARCELONA IN JANUARY 1978 CONFIRMED PRIOR RESEARCH IN THE COMPUTER MARKET THAT DEMAND IS STRONG IN SPITE OF A DEPRESSED ECONOMY GENERALLY. THE 1979 CAMPAIGN IN THIS FIELD WILL FEATURE AN EMPHASIS ON INDUSTRY VISITS IN ORDER TO PRODUCE TRADE OPPORTUNITIES AND THROUGH SUPPORT OF SHOWS AT US TRADE CENTERS IN EUROPE, AS APPROPRIATE. SIZE OF THE IMPORT MARKET IN 1979 IS ESTIMATED AT A HALF-BILLION DOLLARS.
H. VISIT USA. PRELIMINARY INDICATIONS ARE THAT TRAVEL AND TOURISM WILL TAKE A MUCH HIGHER PROPORTION OF SPANISH WAGE-EARNERS' INCOME IN FUTURE YEARS. THE EMBASSY HAS REVITALIZED ITS "VISIT USA" COMMITTEE AND HAS PLANS TO ORGANIZE PAVILIONS IN TWO SPANISH INTERNATIONAL FAIRS IN

1979: VALENCIA IN APRIL AND BARCELONA IN JUNE. THESE PAVILIONS WILL BE SUPPORTED BY BOTH USIS AND USTS. BOOTHS WILL FEATURE INFORMATION ON HOW TO GET TO THE U.S. AND WHAT TO DO THERE, VIA A WIDE VARIETY OF MATERIAL, INCLUDING PAMPHLETS, FILMS, SEMINARS AND OTHER TECHNIQUES. I. BUILDING AND CONSTRUCTION EQUIPMENT. AS GENERAL BUSINESS CONDITIONS IMPROVE, AND AS GOVERNMENT PROGRAMS GO UNCLASSIFIED

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FORWARD IN PUBLIC HOUSING, INDUSTRY, AND INFRASTRUCTURE PROJECTS, DEMAND FOR BUILDING AND CONSTRUCTION MATERIAL BY 1979 SHOULD BE STIMULATED CONSIDERABLY. OUR CAMPAIGN LOGICALLY WILL BE COMPLIMENTED BY EFFORTS IN MAJOR PROJECTS, BELOW. IN ADDITION, THE POST WILL ENCOURAGE ATTENDANCE AT THE INTERNATIONAL PUBLIC WORKS EXHIBITIONS IN BOSTON, OCTOBER 1978.

J. SECURITY AND SAFETY EQUIPMENT. THIS MARKET IS UNDER-DEVELOPED AT PRESENT BUT THE GOVERNMENT OF SPAIN AND THE EMERGING LABOR UNIONS WILL IMPOSE REQUIREMENTS ON INDUSTRY WHICH THEY WILL HAVE TO HEED. AN IMPORT MARKET OF ONLY ABOUT \$10 MILLION IN 1977 SHOULD GROW TO AT LEAST \$50 MILLION BY 1979. A TRADE MISSION IN SECURITY AND SAFETY EQUIPMENT IS SCHEDULED FOR MARCH 1979.

K. PROCESS CONTROL INSTRUMENTATION. ALONG WITH MEDICAL AND LABORATORY INSTRUMENTATION THIS MARKET SHOULD SHOW GOOD GROWTH BY 1979, WELL BEYOND ITS \$100 MILLION IN IMPORTS IN 1977. PARTICIPATION IN "INSTRUMENTALIA/EXPOMEDICA", MADRID, OCTOBER 1979, WITH A GOOD NUMBER OF U.S. PARTICIPANTS, WOULD SERVE ADMIRABLY TO PROMOTE THIS CAMPAIGN AS WELL AS THE HEALTH CARE AND LABORATORY INSTRUMENTS CAMPAIGNS ABOVE.

3. OTHER ACTIVITIES:

MAJOR PROJECTS - EMPHASIS ON POWER, MINING, CONSTRUCTION. FOREIGN BUYER PROGRAM - IN ADDITION TO SHOWS LISTED IN CAMPAIGNS ABOVE.

COMMERCIAL NEWSLETTER.

TARGET INDUSTRY RESEARCH.

INVESTMENT INFORMATION - PROVIDE MORE INFORMATION TO PROSPECTIVE SPANISH INVESTORS; ASSISTANCE TO U.S. INVESTORS IN SPAIN.

4. WE ARE FAVORABLY DISPOSED TOWARD THE TECHNIQUE OF BUSINESS INFORMATION CENTERS IN SELECTED TRADE FAIRS, AS UNCLASSIFIED

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PUT FORWARD IN PARIS A-8 OF JANUARY 13, 1978. BETWEEN NOW AND THE FINAL VERSION OF THE FY 1979 CCP WE WILL

EXAMINE WHICH CAMPAIGNS AND CORRESPONDING TRADE FAIRS
MIGHT LEND THEMSELVES TO THIS TECHNIQUE. STABLER

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